

MORTGAGE BANKING QUESTIONNAIRE
Preliminary Examination Response Kit
Office of Thrift Supervision

Review Period _____ through _____ Docket # _____
Institution Name _____

This questionnaire is to be completed for the thrift and for all subsidiaries engaged in mortgage banking during the examination period. Supporting schedules should be typed and attached. If a request is not applicable for a particular item, respond with "Not applicable." If no mortgage banking activities, including small sales or servicing for others, have occurred during the review period, so indicate.

General

1. Provide an organization chart of the mortgage banking operations including management, loan production offices, subsidiaries, servicing, and computer support. Provide a brief explanation of the thrift's and each subsidiary's mortgage banking objectives compared to their actual operations and how the combined mortgage banking operations affected the thrift. Attach copies of the budgets and any strategic plans for the mortgage banking operations.
2. How are the income and expenses of the mortgage banking operation tracked separately from the thrift's portfolio lending and servicing programs? How are management and other general and administrative (G&A) expenses allocated and reported? Who is responsible for these records?
3. Provide the amount and number of originations for each mortgage banking operation during the examination period broken down by mortgage type (FHA, VA, conventional 30 year, ARM, etc.).
4. What software systems are used to track the production pipeline, monitor the warehouse inventory, and handle servicing operations? Are these systems operated in house or in a service bureau? Is a switch in software being considered or has one recently been completed?

Mortgage Originations

5. Were FNMA, FHLMC, and GNMA underwriting and documentation requirements followed for all mortgages originated, purchased, sold, or exchanged and, if not, why? Did all mortgages intended for the thrift's portfolio meet those criteria except for dollar limits? If not, provide a summary list of mortgages that did not meet those criteria and why.

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6. Describe the quality control procedures and criteria for originated, purchased, and table-funded mortgages. Who is responsible for these records?
7. What is the compensation or commission structure on originated mortgages for the mortgage banking operation? How does it differ with the thrift's compensation program for portfolio mortgages? What internal controls exist to ensure appropriate amounts are paid?
8. Have records been kept for monitoring the cumulative amount of mortgages purchased or table funded by source and the related default rates and losses? If so, who is responsible for these records?
9. Have records been kept to identify mortgages originated or purchased for re-sale to separate them from mortgages intended for the portfolio? If so, who is responsible for these records?
10. What is the percentage of originated mortgages that were placed into portfolio versus those sold or held for sale by product type (FHA, VA, conventional 30 year, ARM, etc.)? How do these ratios compare to the prior examination period?

Interest-Rate Risk

11. What type of records have been kept for monitoring pipeline and warehouse interest-rate risk? Who is responsible for these records and who is on the distribution list to see them?
12. Have rate locks been provided to prospective borrowers? If so, what was the duration and how was the interest-rate risk hedged?

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13. Has the board of directors adopted a limit on unhedged interest-rate-risk exposure in the pipeline and warehouse and if so, what are those limits? Are those limits strictly enforced? Provide a copy of the latest management and board reports showing pipeline and warehouse exposure.

Mortgage Sales and Purchases

14. Provide a summary list by correspondent of mortgage sales, purchases, and exchanges including table-funded mortgages. The list should show the dollar amounts bought, sold, or exchanged by mortgage type (FHA, VA, conventional 30 year, ARM, etc.).
15. Which sale, purchase, or exchange transactions including table funding were between the thrift and its subsidiaries or affiliates? Which of these sales were with servicing rights released? Were these transactions at documented market prices and terms, and if so, who has these records?
16. Summarize the representations and warranties that were provided to mortgage purchasers during the period (such as meeting certain underwriting standards, etc.) except for FNMA, FHLMC, and GNMA sales and swaps.
17. Have any mortgage sales been made with full or partial recourse (either written or verbal) other than for delinquency during the first 90 days after sale or for standard representations and warranties? If so, provide a list of the buyers, dates, amounts, mortgage types, and recourse type (include yield agreements, swap or repurchase agreements, FNMA/FHLMC recourse servicing, and any vague or unstated recourse requirements or periods). Exclude GNMA servicing.
18. Have any sold mortgages been repurchased or swapped for other mortgages or have any losses or settlements on sold mortgages been paid during the examination period except for servicing and foreclosure costs? If so, list the amount of each repurchase, swap, or loss paid and the reason.

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19. Were custodians, escrow agents, or other intermediaries used for the transfer of all mortgages purchased or sold? If not, what was done to control the risks?

Mortgage Servicing Assets

20. Provide a summary list of all sales and purchases of mortgage servicing assets by correspondent showing the total amount of servicing bought and sold by type (FHA, VA, conventional 30 year, ARM, etc.), any recourse or reserve provisions, wholesale or flow servicing percentages, and average price. Describe how the servicing was evaluated prior to sale or purchase and who is responsible for this record and continuing valuations.
21. For all mortgage servicing assets and certain non-security financial instruments (including interest-only strips), provide a list by group of the original amount of the asset booked and when current market value, current book value, and the last date those values were determined. Also, have available the related information for the underlying mortgages including types, balances, interest rates, original discount rates, and maturities.
22. Does the total amount currently capitalized for capitalized servicing assets exceed 1.5 (150 bp) of the underlying mortgages? If so, list the groups of mortgages in excess of 1.5% and the percentages currently capitalized. Provide a list of all servicing asset valuation adjustments as well as adjustments to amortization during the examination period.
23. Has a cost/benefit analysis been performed since servicing purchases were made and if so who is responsible for it? Were any of the purchases of mortgage servicing assets hedged against prepayment risk and if so how?

Audit and Other

24. Is there an independent internal auditor responsible for reviewing the mortgage banking operations? If so, who is it? Provide a copy of the last audit report. If not, what procedures exist to ensure sound internal control of the mortgage banking function?

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25. Has the thrift or any of its mortgage banking subsidiaries been suspended or had corrective action of any type taken against it by FNMA, FHLMC, GNMA, FHA/HUD, VA, any state governmental body or agency, any private mortgage insurance company, or any investor? If so, explain the circumstances and current status. Provide a copy of the latest FNMA, FHLMC, GNMA, and investor audits.
26. List the dollar amount by servicer of mortgages that are owned by the thrift or its subsidiary but are serviced by another servicer? What does the thrift do to monitor that servicing and those servicers and who is responsible for those records?
27. Has the thrift signed a cross-default or guarantee agreement covering a mortgage banking subsidiary or an affiliate under the thrift's holding company on behalf of Ginnie Mae or any other investor? If so, attach a copy of that agreement.
28. Who is responsible for the accounting records of the thrift's and any subsidiary's mortgage banking operations?